Internal Revenue Service

Department of the Treasury

Washington, DC 20224

200101039

Significant Index No. 0412.06-00

Contact Person:

Telephone Number:

In Reference to:

Date: T:EP:RA:T:A2

OCT 12 2000

In re:

This letter constitutes notice that a conditional waiver of the minimum funding standard has been granted for the above-named pension plan for the plan year ended December 31, 1999.

The conditional waiver has been granted in accordance with section 412(d) of the Internal Revenue Code (the "Code") and section 303 of the Employee Retirement Income Security Act of 1974 (ERISA). The amount for which the waiver has been granted is the contribution which would otherwise be required to reduce the balance in the funding standard account of the plan to zero as of the end of the plan year for which the waiver has been granted.

(the "company") is a manufacturer of headquartered in There have been two events that have had a significant impact on the company's ability to meet the minimum funding requirement for the 1999 plan year. In 1997, the company's current owner consolidated equity ownership by acquiring all the outstanding stock that he did not already own. The company financed the consolidation with a ten-year note totaling $9.5 million.

The second event was the consolidation of the company's manufacturing and administrative facilities in A much smaller percentage of the company's workforce relocated to the facility than had been anticipated, resulting in a reduction of the company's production capacity. The company was forced to outsource in order to meet demand as a result of this reduction in the labor force.

241

The company experienced temporary substantial business hardship as evidenced by net losses of $4.1 million, $3.6 million, and $4.3 million for the fiscal years ended December 31, 1997, 1998, and 1999 respectively. However, the company experienced a profit of $432,994 for the first half of 2000 compared with a loss of $661,540 for the first half of 1999.

Besides the consolidation of operations to the facility, the company has taken several steps to reduce costs and improve the overall viability of the company. It has reorganized the factory with equipment that enables production to become more automated, and has reduced staff to approximately 160 people (compared to approximately 300 people in the beginning of 1998). The reduction in staff results in an estimated annual cost savings of $2.2 million. The company has also retained the services of a mergers and acquisitions company that specializes in strategic alliances to help obtain capital investment. As of the end of July 2000, a company has signed a letter of intent that would involve the sale of substantially all of the assets of the company. As of December 31, 1999, all benefit accruals under the plan were frozen.

The waiver has been granted subject to the following conditions, which you have agreed to:

(1) The company will make contributions necessary to satisfy the minimum funding requirement (including the waiver amortization payment for 1999) of the plan for the plan years ending December 31, 2000 and December 31, 2001, within the time period defined in section 412(c)(10) of the Code,

(2) The company will make quarterly contributions described in section 412(m) of the Code, beginning with the quarterly contribution due on October 15, 2000, during the period in which the funding waiver is in effect, and

(3) In the event that completes a sale of all or substantially all of its assets and the buyer does not assume the sponsorship of the plan, will contribute the unamortized portion of the funding waiver to the plan within 30 days after the closing of the sale.

If the company fails to meet the above conditions, this waiver is retroactively null and void.

Your attention is called to section 412(f) of the Code and section 304 of ERISA which describes the consequences which result in the event the plan is amended to increase benefits, to change the rate in the accrual of benefits, or to change the rate of vesting while any portion of the waived amount remains unamortized.

This ruling is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as others as precedent.

When filing Form 5500 for the plan year ending December 31, 1999, the date of this letter should be entered on Schedule B (Actuarial Information). We have sent a copy of this letter to the

Sincerely yours,

Martin L. Pippins

Martin L. Pippins, Manager
Employee Plans Actuarial Group 2
Tax Exempt and Government
Entities Division